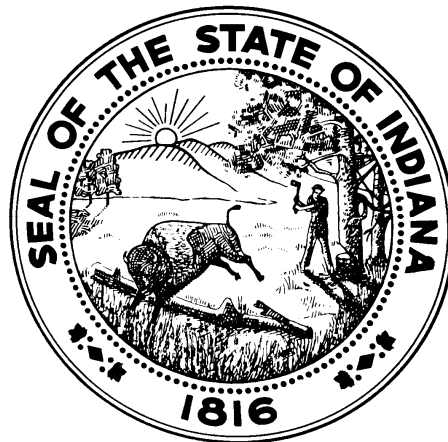


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
LAKE COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED
07/02/2008

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SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Extra-Curricular Treasurer	Tina R. Orzel Evelyn Rolda'n	07-01-05 to 06-26-06 09-05-06 to 06-30-08
Principal of Irving Elementary School	Dusty Rhodes	07-01-05 to 06-30-08
School Corporation Treasurer	Karen Wallisch	07-01-05 to 06-30-08
Superintendent of Schools	Dr. Walter J. Watkins	07-01-05 to 06-30-08
President of the School Board	James Hornak Anna Mamala	07-01-05 to 06-30-06 07-01-06 to 06-30-08



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE SCHOOL CITY OF HAMMOND, LAKE COUNTY, INDIANA

We have examined the records of the Irving Elementary School for the period from July 1, 2005 to June 30, 2007, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments.

STATE BOARD OF ACCOUNTS

January 23, 2008

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

FUNDRAISING SHORTAGE

A review of the extra-curricular records of Irving Elementary School noted a \$10,000 disbursement, dated September 28, 2006, to QSP Readers Digest. The payment was for a candy fundraiser held in the prior 2005-2006 school year. An initial payment was made in 2005-2006 in the amount of \$3,325.60. Total payments for the candy fundraiser were \$13,325.60. Since individual claims supporting the disbursements were not presented for audit, we were able to establish the total disbursements from the copies of each billing that were included with the September 28, 2006, disbursement.

Although there were no official receipts presented for audit in the 2005-2006 year, we found one bank deposit dated June 12, 2006, for \$8,785, labeled candy sales. Three additional collections totaling \$2,875 were noted on "deposit compilation" worksheets from the 2005-2006 year. The total collections for this fundraiser were \$11,660.

Additional information on the candy fundraiser invoice stated that the School had made a 50% profit on the sales. Our calculation of the 50% profit comes to \$6,662.80 (\$13,325.60 times 50%), for a gross calculated collection of \$19,988.40. We have calculated a difference of \$8,328.40 (\$19,988.40 less \$11,660.00). Our results are summarized in the following schedule:

Profit as determined by QSP Readers Digest	\$ 6,662.80
Invoice Total	<u>13,325.60</u>
Calculated Collections	\$19,988.40
Actual Collections Deposited	<u>11,660.00</u>
Difference	<u><u>\$ 8,328.40</u></u>

We requested Tina R. Orzel, former Irving Elementary School Extra-Curricular Treasurer, to reimburse the Irving Elementary School \$8,328.40 in candy sales receipts not deposited. (See Summary, page 9)

Supporting documentation such as receipts, cancelled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DISBURSEMENTS TO EXTRA-CURRICULAR TREASURER

The Extra-Curricular Treasurer, Tina R. Orzel, wrote nine checks to herself as reimbursement for expenses, totaling \$2,525. There were no Claims for Payment (form SA-7) presented for audit for the payments to determine the validity.

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

We requested the former Extra-Curricular Treasurer, Tina R. Orzel, to reimburse Irving Elementary School \$2,525 for unallowable disbursements. (See Summary, page 9)

Supporting documentation such as receipts, cancelled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

AUDIT COST – MISSING FUNDS

Additional audit costs were incurred during the current audit due to disbursements made to the Extra-Curricular Treasurer for which no documentation was presented for audit and our extensive review of the School's fund raising activities. Additional audit costs totaled \$2,823.60.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OFFICIAL BOND COVERAGE

The School Corporation provided a Public Employee Dishonesty insurance policy through the Westfield Companies, Ohio Farmers Insurance Company. The policy period is July 1, 2005 through July 1, 2008, with coverage of \$25,000.

INTERNAL CONTROLS

As we reviewed the records of the Extra-Curricular Account, we noted internal control issues as follows:

1. Accurate bank reconcilements were not prepared during the audit period.
2. Accurate ledger balances were not maintained. The June 30, 2006 and 2007, ledger balances were overdrawn by \$3,384.78 and \$11,636.67, respectively. Bank reconcilements compiled by the Corporation's Director of Business Services for June 30, 2006 and 2007, were \$14,694.07 and \$5,542.02, respectively.
3. The School held several candy fundraisers. No records were presented for audit showing how the sales inventory was distributed for sale, maintained while awaiting sale, unsold inventory awaiting return to the supplier, or how monies from sales was received from students and parents and subsequently deposited.
4. Official receipts (form SA-3) and claims (form SA-7) were not presented for audit for the 2005-2006 year.

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Supporting documentation such as receipts, cancelled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on January 23, 2008, with Dusty Rhodes, Principal of Irving Elementary School; Karen Wallisch, School Corporation Treasurer; and Robert James, Director of Business Services. The officials concurred with our audit findings.

A certified letter was sent on February 5, 2008, to Tina R. Orzel, former Extra-Curricular Treasurer. The official response follows on page 8.

February 15, 2008

State Board of Accounts
302 W. Washington Street
Room E 418
Indianapolis, IN 46207-2765

To Whom It May Concern,

In response to your letter dated January 23, 2008 which was postmarked February 6, 2008, I would like to send my official response. My physical employment with the School City of Hammond ended on April 24, 2006. I was at Irving School for approximately 1 hour on that date at which time my keys/ID were turned in and I left the premises.

All monies collected for the fundraiser were in the safe. Collections were still being made as the fundraiser was not completed. I have no account for that money as I was not employed by the School City of Hammond at the completion of the fundraiser. I did not collect all monies nor did I have access to them after my dismissal. The monies collected during April and after my dismissal were not accounted for by me. I am not sure who was responsible for the fundraiser monies or deposits as I was not there.

In regards to a list of students that sold for the fundraiser, I did not compile the list because I was not employed at the completion of the fundraiser. The list that was started by me had class lists of students with student names highlighted with how many boxes that students were responsible for. The list was out of my possession after my dismissal and I do not know the whereabouts of that list after I left.

In response to the undocumented re-reimbursements, checks were written and receipts were submitted and available for proof of sale/purchases. The bank statements/ledgers were not prepared due to my dismissal. My responsibilities were void after April 24, 2006 thus the ledgers were not completed by me nor were they my responsibility after that date.

Sincerely,
Mrs. Tina R. Orzel

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Tina R. Orzel, former Extra-Curricular Treasurer:			
Fundraising Shortage, page 4	\$ 8,328.40	\$ -	\$ 8,328.40
Disbursements to Extra-Curricular Treasurer, pages 4 and 5	<u>2,525.00</u>	<u>-</u>	<u>2,525.00</u>
Totals	<u>\$ 10,853.40</u>	<u>\$ -</u>	<u>\$ 10,853.40</u>

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AFFIDAVIT

STATE OF INDIANA)
)
Lake COUNTY)

I, Susan Lardino, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Irving Elementary School, School City of Hammond, Lake County, Indiana, for the period from July 1, 2005 to June 30, 2007, is true and correct to the best of my knowledge and belief.

Susan M. Lardino
Field Examiner

Subscribed and sworn to before me this 26 day of June, 2008.

Barbara J. Bortoli
Notary Public

My Commission Expires: MAY 19, 2016

County of Residence: LAKE

